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ABSTRACT

The need for states to identify and appropriately fund the special needs of the small/rural community college is discussed in terms of eight issues: (1) certain costs which are required for operation of institutions regardless of size and which are unrelated to programs (e.g., library, grounds maintenance, meeting recommendations of accrediting agencies, employee fringe benefits, and costs due to state and federal regulation) should be funded totally by the state; (2) the need to rethink state responsibility to public compared to private institutions; (3) state support to assure adequate access to low tuition community college programs; (4) provision by the state allowing colleges to provide free community service activities; (5) special attention by the state to the added costs of equipment and facilities for occupational programs; (6) state legislative appropriations for college captial purposes; (7) extent of state funding of two-year programs in four-year institutions; and (8) consideration of future unknown factors. A discussion of the current four types of state-level support for colleges--negotiated budgets, unit rate formulas, minimum foundation funding, and cost-based program funding--points out their deficiencies, and is followed by a discussion of the four capital funding models--state financed, locally financed, state/local cost sharing, and foundation programs. (MB)

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FINANCING SMALL/RURAL COMMUNITY COLLEGES

Presented by
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at the

NATIONAL CONFERENCE ON SMALL/RURAL COLLEGES

sponsored cooperatively by
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PROPOSALS FOR FINANCING SMALL/RURAL COMMUNITY COLLEGES-- A BIGGER SHARE OF THE PIE

The small/rural community colleges can make a significant contribution if adequate attention is paid by the state to their special problems. In particular it is important NOT to automatically equate SIZE with QUALITY.

My thesis is that there is a great need for states to identify and appropriately fund the special needs of the small/rural community college.

It must be recognized by the state legislatures that some rural community college districts in the state have an added set of problems that other community college districts do not have. These include factors such as the following: a lower median family income, a higher proportion of families with family income of $3,000 and less, a higher percentage receiving welfare, a higher percentage of unemployment, less taxable income, less potential for assessed evaluation, often a higher percentage of district land in federally owned forest or other federal land areas which cuts the tax income to the community college district, less people per square mile of district, geographic and cultural isolation, and often less access to needed services.

You, of course, can add other points which specifically characterize your district. But the point is this--many small/rural community colleges have a special added set of problems with which the other institutions do not have to deal.

As pointed out by Martorana, Wattenbarger and Smutz, "The ability of community colleges to meet successfully and to serve adequately their multiple goals and functions has rested at least to some extent on their flexibility and adaptability. They have had to

react quickly and effectively to changing economic, social, technical, and occupational conditions. Their ability to do this is affected by two important considerations, first, the types of programs they can initiate as well as the services they can provide are largely determined by how and to what extent they are funded from public sources, and second, the decisions that can be made and the speed with which they can be effected are significantly affected by the nature of the community college decision-making environment."[1]

The climate is different now than when many community colleges got their bond issues passed to form their districts, to obtain operating funds and particularly to obtain funds for capital construction.

For example, in the 1960's, federal funds in the amount of fifty percent or seventy percent were available to match local funds for capital construction.

As you all know, it is extremely difficult now for many local areas to be able to afford bond issues for increased operating expenses or for capital expenses and very difficult to get bond issues passed.

Then, Proposition 13 appeared on the western horizon and only time will tell the long-ranging impact which this may have on all of our lives.

As Martorana, et. al., indicate, "How and to what extent community and junior colleges are financed with public funds is undoubtedly one of the most important issues facing these institutions. Certainly financial support is not the only factor that enables an educational operation to be successful, but it is clearly a critical ingredient. Until

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[1]S. V. Martorana, James L. Wattenbarger, and Wayne D. Smutz, Dollars and Directives: Issues and Problems Related to Financial Support and Legal Authorizations of Community Colleges, p. 1, American Association of Community and Junior Colleges/ Council of Universities and Colleges/ ERIC Clearinghouse for Junior Colleges.

the late 1950's, local communities provided almost all community and junior college funding. Since that time, however, states have increasingly assumed a major share of the funding responsibility as the number of community and junior colleges rapidly grew throughout the country. This development was inevitable for two reasons. First, local communities could not provide the funds necessary to support comprehensive post-secondary institutions; local property owners, on whom the burden of support fell, simply were not able to increase their tax support for community colleges while also providing for other local services. Second, as states committed themselves to the democratic notion of providing post-secondary education for all citizens, they also more actively involved themselves in community college planning, development, and coordination; along with this increased state-level interest came expanded state-level financial support."[2]

Now we have apparently entered an era in which although most states are still increasing their appropriations to community colleges in terms of dollars appropriated--the average percentage growth rate in appropriations is decreasing. Therefore, we are presented with a financing problem in general which is compounded even further when the specific characteristics and problems of small/rural community colleges are considered.

I would like to pose certain issues for your thinking.

Issue I: There are certain costs which are required for operation of institutions regardless of size and which are unrelated to programs. States should fund 100% of these expenditures: (1) Library--every institution needs a minimum library. (2) Utilities, maintainence and groundskeeping--buildings need seasonal temperature control and must be kept clean, repaired, and in neat order if the investment is to be protected. (3) Meeting

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[2] Ibid., p. 5.

recommendations of accrediting and licensing agencies--it appears that there is a trend in some states to play down the significant contribution which can be made by following the recommendations of examining teams particularly if implementing these recommendations means spending money. (4) Fringe benefits--this involves the institution's share of the fringe benefits package provided by the institution to its employees. What will be the future ability of the small/rural community college to meet the rising costs of providing these fringes? (5) Costs which the institution must incur because of some state or federal legislation or regulation--facilities for the handicapped, OSHA, Buckley Amendment, Title IX, increasing costs of data gathering and reporting to a multitude of state and federal agencies, changing copyright laws.

Issue II: The need for rethinking concerning the responsibility of states to public institutions compared to private institutions.

No one wants private colleges to go broke!

However, are some states overly concerned with this problem to the exclusion of enough concern about the financial health of the public community colleges?

Do some state systems of student financial aid tend to funnel students into high tuition private colleges?

If the state puts money into public institutions it expects to have a certain amount of control, i.e., over what programs are offered at what institutions, etc. Yet, if the state puts state money into private colleges does it exert the same control there?

Issue III: Proper support by the state to assure adequate access to low tuition community college programs for the people of the state.

The basic "gut" theme of the public community college is to provide educational opportunity regardless of a person's financial standing.

Pragmatically, our alumni pay more taxes as did the WWII GI bill graduates.

Inflation has made it impossible for people to keep up the standard of living which they have so if you raise tuition this hurts the families who at the same time are faced with all of their other costs going up, too.

Education is an investment in society.

Issue IV: Provision by the states so that public community colleges are free to provide adequate offerings in community service activities.

Community colleges should receive state support for activities such as institutes, workshops, short courses and presentations and programs by college personnel of benefit to communities and to specific groups within the communities.

Issue V: Special attention by the state to the added costs of equippingand facilities for occupational programs.

The jobs are there at good wages. There are people who want to enroll in community college occupational programs. But, the colleges need special help in meeting the added costs above the regular programs to provide quality, up-to-date occupational programs.

Issue VI: State legislative appropriations to public community colleges for capital purposes.

Public community colleges make a significant contribution to the lives of the people and to the economies of the states.

It is no longer feasible for local property taxpayers and communities to carry the major load in funding capital. In many states, property owners provide for many other local services and also pay to support state universities as well as their own community college.

State universities obtain their capital support and a significant portion of their operating support from state legislatures.

Issue VII: To what extent should states fund two-year programs in four-year institutions particularly in states where public community college systems and districts exist?

The mission of the public community college is to offer programs of two years (or less) in duration. Yet, we see in some states the proliferation of two-year programs offered by four-year colleges and universities who are state supported.

Is this the wisest investment of state funds?

Issue VIII: Unknown future factors:

In many states we have observed the effects on college budgets of factors such as collective bargaining, tenure, and retrenchment.

Current developments include legislation setting the retirement age at 70.

How will we keep our faculty salaries up with inflation?

What other unknown future factors will impact upon college budgets and what kinds of positive measures can be taken by colleges and by states now in order to provide small/rural community colleges with the necessary reserves in order to successfully meet such unknown future needs?

You have noted that I believe the burden is getting too heavy to leave entirely with local taxpayers. You have noted that I have not suggested the federal level as a source of great help to us in the future. I have not done so because the signs appear to indicate that small/rural colleges will get even less help from federal programs than they have in the past.

I do not think small/rural community colleges will get much help from the federal government in the future. As an example, I would like to quote two paragraphs found on page 8 of the June 16, 1978, issue of Higher Education and National Affairs, "Meanwhile, James T. McIntyre, Jr., director of the U.S. Office of Management and Budget, told a luncheon group in Washington this week, 'It is wishful thinking for local communities to believe that funds cut by taxpayers, such as in California, can be restored by federal money. Such thinking raises false hopes,' he said, 'federal resources are not infinite, indeed these are being stretched tight as things stand today. Looking to Washington for a bailout isn't going to be a viable or sensible solution in the future.'

"McIntyre said his staff is studying the effect of the California vote on federal programs and the federal budget. 'We know, for example, that a number of major federal education programs include a prohibition against using federal funds for activities normally or previously carried out with state or local funds,' he said. He said his staff also is studying similar restrictions in federal child nutrition programs and possible issues and problems that might arise in the public service employment area."

In discussing the topic of capital funds with the staff executive of the Missouri Association of Community and Junior Colleges President's Council, the report of the executive indicated that Dr. Wattenbarger commented that federal funds appear unlikely for capital for community colleges.

Throughout my presentation I have been postulating that for different reasons we cannot in the future expect our local taxpayers to bear the brunt of helping us on operating and capital aid and neither can we expect the federal government to be a great deal of help to us in the future.

I have further postulated that our hope lies with the states. I will now go further to postulate that the states should seriously investigate the state sales tax as a potential source of providing that support to community colleges.

What then are the current funding patterns utilized by the states in providing operating and capital support for public community colleges?

Wattenbarger points out that, "Currently four basic types of state-level support for community colleges are utilized and that each has serious deficiencies: negotiated budgets for individual institutions; unit rate formulas; minimum foundation funding; and cost-based program funding."

Wattenbarger notes, "While the negotiated budget (used by eleven states) provides full state funding it also permits effective state level control at the same time.

"Twelve states use the unit rate formula (usually based on student credit hours). This approach does permit local control over budget decisions but neither takes into account an institution's responsiveness to the variety of needs at the local level nor has any built-in efficiency incentives. Often, community service programs are not funded either adequately or at all under this approach.

"Eight states use the minimum foundation funding approach. This approach does provide a minimum funding level for all community colleges while permitting differential

district funding according to the value of each district's taxable property. This of course means unequal funding since the level of financial support varies with the wealth of each district."

The fourth approach (that of cost-based program funding) in Wattenbarger's opinion is probably best because it differentiates between programs. However, as Wattenbarger points out, "It does not provide for cost efficiency since lower costs, no matter how attained, will result in less funds."[3]

So, my further postulate is that we need to work with our states and develop approaches which will meet our needs as we go into the future.

Let's take a look at capital funding patterns across the various states. "However," as Garms indicated in his 1977 Financing Community Colleges, "due to a lack of sufficient data, it is impossible to analyze changing patterns in the funding of capital expenses." Dr. Wattenbarger is currently working on a monograph on capital funding for two-year colleges and I appreciate his sharing his characterization of capital funding patterns with us.

At present there are four basic capital funding models: state financed programs represented by Florida, Connecticut and Massachusetts; locally-financed programs represented by Missouri, Kansas, New Mexico, and South Carolina; state/local cost sharing arrangements represented by Pennsylvania and Illinois; and foundation programs represented by California.

Florida uses a one and one-half cent gross receipts tax on utilities and draws revenue bonds against this as an example of how one state-financed program works.

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[3] Ibid., p.6

Missouri requires a two-thirds vote to pass a bond issue on the local district taxpayers to be repaid by local property taxes.

In state/local cost sharing arrangements like Illinois, the state pays seventy-five percent and twenty-five percent from the local district. In Pennsylvania it is fifty-fifty.

In the foundation program (like California) an equalized form of aid is used in which those community college districts below a certain property wealth per pupil are eligible for state assistance, with the poorest districts receiving the largest amounts, Garms reports.

Following California's Proposition 13--other developments are occuring and seem to continue to occur and indeed others may have occured since the time of preparation of this paper in June.

For example, the June 16 issue of the MACJC Newsletter indicates, (1) the Washington state legislature is pushing for full funding by 1980; (2) in May a New York Court of Appeals prohibited the use of exemptions from the limit on property taxes--thus cutting revenue of fifty school districts by $110 million; (3) the Pennsylvania legislature is considering bills that would replace local property tax for schools with a surtax on personal income of those living in the school district and moving the state's share of school funding to eighty percent (up from fifty percent).

So, quo vadis? Where are we herded?

If our hope is with the states--where will they get the money to fund us? I suggest that one viable alternative is the state sales tax.

If the states either have or get the money to fund us, how should it be distributed?

Are there ways to get the federal government to give more support?

What kinds of state and federal legislation would help us--perhaps not related directly to appropriations but which would still affect our funding?

Many of the things I have said here today you probably have supported in your own mind as I have gone along. Others, you are against.

Some ideas will work in certain places--other's won't.

In the discussion session to follow, my challenge to you is dissect what I have said--put in your own thinking and experience and then in discussion let's work together to develop what you see as possible and practical for us to recommend for implementation.

Whatever we do, let's not wait for others to act upon us first--let's act!

Thank you!

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WORK SESSION

Session A Developing Recommendations for Financing Small/Rural Community Colleges

ISSUES

I. There are certain costs which are required for operation of institutions regardless of size and which are unrelated to programs. States should fund 100% of these expenditures.

II. The need for rethinking concerning the responsibility of states to public institutions compared to private institutions.

III. Proper support by the state to assure adequate access to low tuition community college programs for the people of the state.

IV. Provisions by the states so that public community colleges are free to provide adequate offerings in community service activities.

V. Special attention by the state to the added costs of equipping and facilities for occupational programs.

VI. State legislative appropriations to public community colleges for capital purposes.

VII. To what extent should states fund two-year programs in four-year institutions particularly in states where public community college systems and districts exist?

VIII. Unknown future factors.

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